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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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QUARTERLY REPORT UNDER SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 29, 1992

Commission File Number 0-10886

REXON INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware	95-4317481
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1334 Parkview Avenue
Manhattan Beach, California
(Address of principal executive offices)

90266
Zip Code

PROCESSED
MAY 13 1992

(213) 545-4441
Registrant's telephone number including area code

Not Applicable
Former name, former address, and former fiscal year, if changed since last report.

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

At May 1, 1992, Registrant had 8,939,042 shares of Common Stock outstanding.

(This document contains a total of 13 pages.)

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 29, 1992 (Unaudited)	September 29, 1991
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,136	$ 11,824
Trade accounts receivable, less allowance of $876 (1992) and $715 (1991)	34,214	27,830
Inventories	27,553	24,304
Prepaid expenses and other current assets	1,541	1,488
TOTAL CURRENT ASSETS	74,444	65,446
GOODWILL, LESS ACCUMULATED AMORTIZATION	39,388	29,597
PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS	29,556	26,181
Less: Accumulated depreciation and amortization	(16,562)	(14,476)
	12,994	11,705
CAPITALIZED SOFTWARE, NET OF ACCUMULATED AMORTIZATION	4,306	3,681
OTHER ASSETS	2,182	2,612
	$133,314	$113,041

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 29, 1992 (Unaudited)	September 29, 1991
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable	$ 16,928	$ 16,154
Accrued other expenses	9,180	7,666
Accrued income taxes	2,770	2,296
Current portion of long-term obligations	8,525	6,770
TOTAL CURRENT LIABILITIES	37,403	32,886
LONG-TERM OBLIGATIONS	9,954	8,388
OTHER	133	136
SHAREHOLDERS' EQUITY		
Preferred stock, $.01 par value; authorized 1,000,000 shares; none issued and outstanding		
Common stock, $.01 par value; authorized 15,000,000 shares; issued and outstanding 8,928,000 at March 29, 1992 and 7,772,000 at September 29, 1991	89	78
Additional paid-in capital	43,585	35,396
Retained earnings	42,150	36,157
	85,824	71,631
	$133,314	$113,041

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
FOR THE FISCAL PERIODS ENDED MARCH 29, 1992
AND MARCH 31, 1991
(in thousands, except per share amounts)

	Quarter Ended		Six Months Ended	
	March 29, 1992	March 31, 1991	March 29, 1992	March 31, 1991
	(Unaudited)			
Net Sales	$55,249	$48,124	$100,785	$95,166
Cost of Goods Sold	35,218	32,123	64,207	64,203
	20,031	16,001	36,578	30,963
Selling, general and administrative	11,595	8,903	21,125	17,704
Research and development	3,727	3,524	7,282	6,519
Other, net	229	32	353	43
	15,551	12,459	28,760	24,266
Net income before income taxes	4,480	3,542	7,818	6,697
Income taxes	1,035	815	1,825	1,565
Net income	$ 3,445	$ 2,727	$ 5,993	$ 5,132
Net income per share	$.36	$.28	$.67	$.52
Weighted average shares outstanding	9,569	9,573	8,886	9,737

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED MARCH 29, 1992
AND MARCH 31, 1991
(in thousands)

	Six Months Ended	
	March 29, 1992	March 31, 1991
	(unaudited)	
OPERATING ACTIVITIES:		
Net income	$ 5,993	$ 5,132
Depreciation and amortization	2,974	3,023
Provision for doubtful accounts	435	415
Net tax provision on income	474	1,285
Changes in operating assets and liabilities,		
Increase in accounts receivable, net	(4,091)	(2,823)
(Increase) decrease in inventories and prepaid expenses, net	(1,406)	5,325
Decrease in accounts payable and accrued expenses	(2,786)	(5,471)
Net cash provided by operating activities	1,593	6,886
INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,821)	(2,772)
Increase in capitalized software and other assets	(222)	(519)
Acquisition of WangDAT	(71)	--
Net cash used in investing activities	(2,114)	(3,291)
FINANCING ACTIVITIES:		
Proceeds from line of credit and long term obligations	1,510	--
Principal payments on line of credit and long term obligations	(2,765)	(1,217)
Proceeds from issuance of common stock	1,589	369
Cost of repurchase of common stock	(501)	(5,112)
Net cash (used in) provided by financing activities	(167)	(5,960)
Decrease in cash and cash equivalents	(688)	(2,365)
Cash and cash equivalents at beginning of period	11,824	7,902
Cash and cash equivalents at end of period	$11,136	$ 5,537

See notes to consolidated financial statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUPPLEMENTAL SCHEDULE OF NON CASH INVESTING AND FINANCING ACTIVITIES

During the first quarter of fiscal 1992, the Company acquired WangDAT, Inc., through a merger between WangDAT and a wholly-owned subsidiary of the Company, for a total purchase price of $12 million, consisting primarily of 995,525 shares of the Company's Common Stock and prime rate convertible subordinated promissory notes in the principal amount of $4.8 million.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REXON INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods ended March 29, 1992, are not necessarily indicative of the results that may be expected for the year. For further information, refer to the consolidated financial statements and notes thereto for the year ended September 29, 1991, included in the 1991 Annual Report to Stockholders.

NOTE B -- INVENTORIES

Inventories consist of the following:

	March 29, 1992	September 29, 1991
	(in thousands) (unaudited)	
Raw materials	$13,451	$13,917
Work-in-process	9,400	6,756
Finished products	4,702	3,631
	$27,553	$24,304

NOTE C -- INCOME PER SHARE

Per share data is based on the weighted average number of shares outstanding and common stock equivalents, excluding those common stock equivalents that would have the effect of being anti-dilutive.

Income per share computations limit the assumption of the repurchase of treasury shares to a maximum of twenty percent of the outstanding shares of the Company, with the remaining pro forma proceeds, where applicable, being applied to reduce interest-bearing liabilities. Accordingly, interest expense based on the Company's average cost of funds is reduced, and net income is increased.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NOTE D -- ACQUISITION OF WANGDAT, INC.

On December 9, 1991, the Company acquired WangDAT Inc. (WangDAT), a manufacturer of digital audio tape products, for a total purchase price of $12 million consisting of 995,525 shares of the Company's common stock, $71 thousand in cash, and prime rate convertible subordinated promissory notes in the principal amount of $4.8 million. The acquisition is being accounted for as a purchase and the operations of WangDAT are included in the consolidated financial statements of the Company from December 9, 1991 forward. The preliminary estimate of excess of cost over the net liabilities acquired, approximately $10.8 million, is being amortized on a straight-line basis over ten years. The preliminary allocation of the purchase price is subject to further adjustment based upon a financial determination of the fair value of the net assets and liabilities acquired.

The following table sets forth the pro forma unaudited condensed consolidated results of operations for the Company assuming that WangDAT was acquired October 1, 1990:

	Quarter Ended		Six Months Ended	
	March 29, 1992	March 31, 1991	March 29, 1992	March 31, 1991
	(in thousands, except per-share amounts)			
Net Sales	$55,249	$51,968	$104,177	$102,854
Net Income	$ 3,445	$ 2,079	$ 3,972	$ 3,836
Income Per Share	$ .35	$ .20	$ .41	$ .36

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table sets forth for the periods indicated the percentages which certain items of expense or income bear to the Company's net sales.

	Percentage of Net Sales			
	Quarter Ended		Six Months Ended	
	3/29/92	3/31/91	3/29/92	3/31/91
Net Sales	100%	100%	100%	100%
Cost of Goods Sold	64%	67%	64%	67%
Selling, general and administrative	21%	19%	21%	19%
Research & development	7%	7%	7%	7%
Net income before income taxes	8%	7%	8%	7%
Net income	6%	6%	6%	5%

Net sales increased by approximately $7.1 million or 15% in the second fiscal quarter of fiscal 1992 compared with the same quarter in fiscal 1991 and by approximately $5.6 million or 6% for the first six months of fiscal 1992 over the same period of fiscal 1991. This quarter's increase was comprised of an increase of $13.6 million for the Company's tape back-up products, digital audio tape (DAT) drives, and Sytos tape operating systems, partially offset by a decrease of $6.5 million in sales of multi-media products.

Cost of goods sold as a percentage of net sales decreased significantly, from 67% to 64% for both the second fiscal quarter and the first six months of fiscal 1992 as compared to the same periods of fiscal 1991. This decrease is the result of the Company's continual emphasis on developing new methods to reduce the manufacturing costs of the Company's products. Gross margins increased in substantially all of the Company's product lines.

Selling, general and administrative expenses increased as a percentage of net sales in the second quarter of fiscal 1992 to 21% from 19% in the second quarter of fiscal 1991. The same percentage increase occurred in the first six months of fiscal 1992 as compared to the first six months of fiscal 1991. The rate of increase in sales and marketing expenditures exceeded the rate of increase in sales, due to the WangDAT acquisition and greater emphasis on advertising through distribution channels; in addition, continuing efforts were made to expand the Company's sales both domestically and internationally.

PART I. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Research and development expenditures remained constant at 7% of sales for both the second quarter and first six months of fiscal 1992, compared with the same fiscal periods in fiscal 1991, reflecting the Company's continual emphasis on developing new products and new methods to reduce manufacturing costs of the Company's existing products.

Income from continuing operations before income taxes as a percent of net sales rose to 8%, compared to 7% for the second fiscal quarter of 1991, while also increasing to 8% for the first six months of fiscal 1992, as compared to 7% for the first six months of fiscal 1991. The significant decrease in cost of goods sold was partially offset by the increases in selling, general and administrative expenses.

All areas of income and expense were increased in the second quarter and first six months of fiscal 1992 over the similar periods of fiscal 1991 due to the acquisition of WangDAT, which was completed on December 9, 1991. However, none of such amounts were material to the Company's operations as a whole.

As of March 29, 1992, the Company's balance of cash and cash equivalents was $11.1 million compared to $11.8 million at September 29, 1991, a decrease of $.7 million. Net cash provided by operating activities amounted to $1.6 million after taking into account increases of $4.1 million in accounts receivable and $1.4 million in inventories and prepaid expenses, partially offset by a decrease of $2.7 million in accounts payable and other accrued expenses. Major cash expenditures during the period included the purchase of $1.8 million of capital equipment, $2.8 million principal payments on the Company's line of credit and long term obligations which increased substantially, primarily as a result of the WangDAT acquisition, and an aggregate of approximately $500 thousand for the repurchase of 68,000 shares of the Company's Common Stock pursuant to a previously announced stock repurchase program. For restrictions upon the Company's ability to effect additional repurchases in fiscal 1992, see the Management's Discussion and Analysis section of the Company's Report on Form 10K for fiscal year 1991.

The Company believes its current level of cash, together with income from operations and its $20 million line of credit (of which $7.2 million was available at the end of the second fiscal quarter), is adequate to meet its current operating and capital equipment requirements.

PART II. OTHER INFORMATION

ITEMS 1 THROUGH 3 - Not Applicable

ITEM 4 - Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on February 27, 1992.

At such meeting, the following persons were duly elected as the Class I directors of the Company: Ralph L. Block and Ben C. Wang. Such persons, together with Steven A. Birnbaum, Edmund H. Shea, Jr., Robert L. Miller and Michael O. Preletz, comprised the members of the Board of Directors following such meeting.

The following additional matter was voted upon at the Annual Meeting of Stockholders:

A proposal to approve a stock option plan for the Company's non-employee directors was approved, with 6,686,176 votes in favor of the proposal, 618,696 votes against the proposal and 23,878 votes abstaining.

ITEM 5 - Not Applicable

ITEM 6 - Exhibits and Reports on Form 8-K

(a) The following exhibits are included herein:

11.1 Statement of Computation of Per Share Earnings.

(b) The following reports on Form 8-K were filed during the fiscal quarter covered by this Report on Form 10-Q:

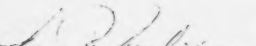
1) Report on Form 8 Amendment No. 1 to Form 8-K, dated February 7, 1992, concerning the acquisition of WangDAT through a merger between WangDAT and a new wholly-owned subsidiary of the Company.

2) Report on Form 8 Amendment No. 2 to Form 8-K, dated February 11, 1992, concerning the acquisition of WangDAT through a merger between WangDAT and a new wholly-owned subsidiary of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REXON INCORPORATED
(Registrant)



Dated: May 11, 1992

Irvin R. Reuling
Chief Financial Officer & Secretary
(Principal Financial and
Accounting Officer)

EXHIBIT 11.1

REXON INCORPORATED AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS
Periods Ended March 29, 1992 and March 31, 1991
(in thousands, except per share amounts)

	Quarter Ended		Six Months Ended	
	March 29, 1992	March 31, 1991	March 29, 1992	March 31, 1991
	(Unaudited)			
Net income applicable to common stock	$3,445	$2,727	$5,993	$5,132
Average number of shares of common stock and common stock equivalents outstanding:				
Weighted average number of common shares outstanding	9,569	9,573	8,886	9,737
Dilutive effect of stock options and warrants after application of modified treasury stock method	--	--	--	--
Total number of shares used in computation	9,569	9,573	8,886	9,737
Net income per share	$.36	$.28	$.67	$.52